Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

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PAGE 01 TAIPEI 00968 01 OF 02 161029Z
ACTION EB-08

INFO OCT-01 ISO-00 EA-10 L-03 SP-02 INR-10 PA-01 SS-15
/050 W
----------039333 161035Z /11
P 161000Z FEB 78
FM AMEMBASSY TAIPEI
TO SECSTATE WASHDC PRIORITY 6453

C O N F I D E N T I A L SECTION 1 OF 2 TAIPEI 0968

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E.O. 11652: GDS
TAGS: ETRD, TW
SUBJECT: US-ROC TEXTILE NEGOTIATIONS

REF: TAIPEI 0891

1. DELEGATION FROM TAIWAN TEXTILE FEDERATION CALLED AT EMBASSY FEBRUARY 15 TO DELIVER LETTER FROM FEDERATION TO USG. LETTER, WHICH CONTAINS VIEWS OF FEDERATION ON TEXTILE PROBLEM BETWEEN US AND ROC, HAS BEEN TRANSLATED BY EMBASSY AND IT HEREWITH FOLLOWS:
QUOTE FEBRUARY 14, 1978. DEAR MR. AMBASSADOR: ON JANUARY 21 THIS YEAR, A US DELEGATION CAME HERE FOR THE SECOND ROUND OF NEGOTIATIONS WITH OUR GOVERNMENT FOR A TEXTILE AGREEMENT FOR THE PERIOD FROM 1978 TO 1982. THEY FAILED TO REACH AN AGREEMENT BECAUSE THE VIEWS OF THE TWO SIDES WERE WIDELY DIVIDED. THEY FINALLY DECIDED TO HOLD THE THIRD MEETING FROM FEBRUARY 21 TO 26 IN WASHINGTON. AS REPRESENTATIVES OF THE TEXTILE INDUSTRY OF TAIWAN THIS FEDERATION WOULD LIKE TO MAKE THE FOLLOWING POINTS FOR THE MUTUAL INTERESTS OF THE TWO COUNTRIES ON THE EVE OF THE THIRD MEETING:
(1) THE RELATIONS BETWEEN THE TWO COUNTRIES HAVE ALWAYS BEEN CORDIAL AND THEY ESPECIALLY COOPERATE CLOSELY
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PAGE 02 TAIPEI 00968 01 OF 02 161029Z

IN THE ECONOMIC FIELD. WHEN THE US FIRST IMPOSED THE QUOTA SYSTEM ON TEXTILE PRODUCTS IN 1962, THE ROC WAS THE FIRST COUNTRY WHICH ACCEPTED THAT SYSTEM AND SIGNED AN AGREEMENT. ALTHOUGH THE SYSTEM PLACED THE ROC IN AN UNFAVORABLE POSITION IN COMPETITION WITH HONG KONG AND THE ROK, OUR TEXTILE INDUSTRY STILL HONORED THE AGREEMENT FOR THE SAKE OF PRESERVING THE TRADITIONAL

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

COOPERATIVE SPIRIT BETWEEN OUR TWO COUNTRIES. EVEN IN LATER NEGOTIATIONS, WE HAVE REMAINED VERY COOPERATIVE.

(2) THE ROC AND HONG KONG ARE MAIN SUPPLIERS OF TEXTILE PRODUCTS OF YOUR COUNTRY. AT FIRST, HONG KONG HAD LESS QUOTAS THAN THIS COUNTRY. IN LATER NEGOTIATIONS, THIS COUNTRY COOPERATED AND GAVE CONCESSIONS. ON THE OTHER HAND, HONG KONG MARCHED FORWARD BY LEAPS AND BOUNDS. AS OF THIS DATE, HONG KONG'S QUOTA HAS EXCEEDED THAT OF THIS COUNTRY. IN VIEW OF THE HARSH DEMANDS MADE BY THE US DELEGATION IN THE LAST ROUND OF NEGOTIATIONS AND THE FAVORED TREATMENT GIVEN HONG KONG, THE TEXTILE INDUSTRY OF THIS COUNTRY HAS NO OTHER CHOICE THAN TO EXPRESS ITS CONCERN. WE ARE OF THE VIEW THAT THERE IS A TENDENCY FOR THE US TO DELIBERATELY DISCRIMINTE

AGAINST THIS COUNTRY.

(3) DURING THE NEGOTIATIONS THUS FAR, THE US DELE-

GATION HAS PLACED EMPHASIS ON CATEGORIES 645/646 AND 638/639. IN ADDITION TO THE DEMAND THAT THE QUOTAS FOR THESE CATEGORIES BE LOWERED, THE US DELEGATION HAS ALSO REFUSED TO GIVE THE ROC THE STANDARD FIVE YEAR GROWTH RATE AND TO GIVE COMPENSATION FOR THE REDUCED CATEGORIES. ON THE OTHER HAND, IT GAVE THE ROK AND HONG KONG THE GROWTH RATE. HONG KONG'S ACCUMULATED RATE OF GROWTH CONFIDENTIAL

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IN THE FIVE YEARS WILL BE 35.39 PERCENT AND THAT OF THE ROK WILL BE 28.25 PERCENT. THIS UNFAIR TREATMENT IS UNBEARABLE TO THE TEXTILE INDUSTRY OF THIS COUNTRY.

(4) THE POSITION INSISTED UPON BY THE US DELEGATION WILL HAVE UNFAVORABLE BEARINGS TO THE US POLITICALLY AND ECONOMICALLY. THE US IS THE LEADER OF THE FREE WORLD AND HAS BEEN CAPABLE OF PRESERVING THE PRINCIPLE OF FAIRNESS IN HANDLING INTERNATIONAL AFFAIRS. YOUR DISCRIMINATIONAGAINST THIS COUNTRY IS AGAINST YOUR COUNTRY'S FINE POLITICAL TRADITION. ECONOMICALLY, THE ABOVE CATEGORIES ARE LOW-GRADE TEXTILES AND THE TEXTILE FIRMS OF YOUR COUNTRY HAVE LONG GIVEN UP THE PRODUCTION FOR ECONOMICAL REASONS. IF YOU REDUCE THE IMPORTS OF THESE CATEGORIES, A SMALL NUMBER OF MANUFACTURERS WILL USE THIS OPPORTUNITY TO RESUME THE PRODUCTION AND SELL THEM AT A HIGH PRICE. CONSEQUENTLY, YOUR CONSUMERS WILL SUFFER. WE BELIEVE THAT THE MEMBERS OF THE US DELEGA-TION WERE NOT AWARE OF THIS.

ALL IN ALL, THIS FOUNDATION HOPES THAT THE FUTURE US-ROC NEGOTIATION ON THE TEXTILE TRADE WILL BE HELD UNDER THE PRINCIPLE OF FAIRNESS AND WITHOUT ANY DISCRI-MINATION. WE REQUEST THAT YOUR EXCELLENCY KINDLY TRANS-

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

MIT OUR VIEW TO YOUR GOVERNMENT AND URGE THAT IT CONSIDER OUR VIEWS.

OUR BEST WISHES FOR YOUR EXCELLENCY,

YOURS FAITHFULLY,

TAIWAN TEXTILE FEDERATION. UNQUOTE

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PAGE 01 TAIPEI 00968 02 OF 02 161033Z
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C O N F I D E N T I A L SECTION 2 OF 2 TAIPEI 0968

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2. MAIN THRUST OF LETTER IS THAT SINCE WE ARE OFFERING ROC LESS THAN WE GAVE HONG KONG AND KOREA WE ARE DISCRIMINATING AGAINST ROC. SAME POINT WAS MADE BY VICE MINISTER Y. T. WONG IN CONVERSATION REPORTED REFTEL. EMBASSY IS IN NO POSITION TO JUDGE VALIDITY OF WONG'S ALLEGATION ALTHOUGH HE CLAIMS HE CAN PROVE THAT WE ARE DEMANDING MORE CONCESSIONS FROM ROC THAN WE RECEIVED FROM OTHER TWO COUNTRIES.

3. WONG IS AN ASTUTE NEGOTIATOR AND HIS PLEA FOR EQUITY UNDOUBTEDLY IS IN PART A NEGOTIATING TACTIC. IN EMBASSY'S VIEW, HOWEVER, WONG'S ATTITUDE ALSO IS A MANIFESTATION OF A GENERAL CONCERN IN GROC THAT TOUGH US POSITION ON TEXTILES HAS DEEPER SIGNIFICANCE. BOTH MINISTER OF FINANCE WALTER FEI AND MINISTER OF ECONOMIC AFFAIRS Y. S. SUN COMMENTED TO ECONCOUN FEBRUARY 13 THAT GROC ATTACHES GREAT IMPORTANCE TO MUTUALLY SATISFACTORY SOLUTION TO TEXTILE PROBLEM. FEI EXPRESSED THE CONCERN THAT IF PROBLEM IS NOT RESOLVED AMICABLY IT COULD HAVE A SERIOUS ADVERSE IMPACT ON TOTAL US-ROC ECONOMIC AND COMMERCIAL RELATIONSHIPS, AND HE ADDED THAT THESE RELATIONSHIPS ARE VITAL TO THE ROC.

4. AS FOR WHAT ROC WOULD BE WILLING TO ACCEPT IN TEXTILE

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

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NEGOTIATIONS WONG HAS NOT, OF COURSE, EXPOSED HIS HAND. EMBASSY IS OF THE OPINION, HOWEVER, THAT HE IS COMING TO WASHINGTON PREPARED TO ACCEPT MODES ROLLBACK IN MOST SENSITIVE CATEGORIES BUT ONLY IF COMPENSATION CAN BE OBTAINED IN OTHER APPAREL CATEGORIES OF INTEREST TO TAIWAN TEXTILE INDUSTRY. PROBLEM WONG FACES IS THAT MANUFACTURERS OF ITEMS UNDER CATEGORIES 638/639 AND 645/646 WILL SUFFER MOST FROM ROLLBACK AND HE MUST OBTAIN SOMETHING FOR THEM IN RETURN WHICH THEY ARE CAPABLE OF MANUFACTURING.
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EO Systematic Review
20 Mar 2014
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